



Local Programs Procedures

LPP 95-08 Obligational Authority

References: Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA)
 Senate Bill 1435 (Chaptered September 30, 1992)
 Local Programs Manual, Volume I
 Local Programs Procedures 95-07 Reengineering

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 Assistant Program Manager
 State & Local Project Development

The Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) established new federal-aid highway programs with multiyear authorization and multiyear availability of funds. This type of funding structure leads to varying obligational rates among the various states and highway programs. Placing a yearly obligational ceiling on the individual highway programs, so that they could be covered under the annual federal budget, would have created administrative difficulties for the Federal Highway Administration (FHWA). Instead, the United States Congress has chosen to address those problems by placing a ceiling, or limit, on the total amount of obligations that can be incurred for **all** federal-aid highway programs during any particular fiscal year. This ceiling is referred to by FHWA as "Obligational Authority" (OA). For the 1994/95 federal fiscal year, the OA was set at 90.7 percent of 1994/95 apportionments.

SB 1435 (Chaptered September 30, 1992) established procedures whereby all Congestion Mitigation and Air Quality (CMAQ) apportionments and approximately 42 percent of the federal Surface Transportation Program, Donor Bonus, and Minimum Allocation (MA) apportionments are passed through to regional/local agencies. SB 1435 also prescribed how the federal-aid apportionment is to be distributed to each Metropolitan Planning Organization (MPO) and Regional Transportation Planning Agency (RTPA).

When ISTEA and SB 1435 first came into law, the issue of local agency OA was not perceived as a problem because most local agencies were in the process of learning the complex ISTEA procedures. The local agency obligations against apportionments statewide were well below the OA limit. Now that most local agencies are familiar with the rules and flexibility of ISTEA, the obligations against apportionments have reached a point where it is necessary to monitor obligations to ensure that all local agencies have the opportunity to receive their fair share of

apportionment. It is also necessary to monitor obligations to ensure that the Local Assistance Program as a whole does not exceed its proportionate share of the OA limitation. This LPP outlines procedures for monitoring OA.

EXISTING PROCEDURE

The Local Programs Manual Volume 1, Section 1-03-7, "Revenue and Financing," states: "The Office of Financial Operations and Control (now the Accounting Service Center) monitors obligations and encumbrances made from these apportionments to assure that... The amount of funds in all areas each year does not exceed the current year legislative appropriation authority." This procedure resulted in Caltrans and local agencies obligating projects on a first come, first served basis until all the OA was obligated, which was usually at the end of the federal fiscal year.

NEW PROCEDURES

The following procedures will be used, starting October 1, 1995, in managing federal OA for Local Assistance projects:

- At the beginning of each federal fiscal year (about October 1) or when federal apportionments and OA allocations are received from FHWA, Caltrans will allocate federal apportionments and a "fair share" of OA to each MPO/RTPA.
- Caltrans' Office of Local Programs (OLP) will monitor apportionment and OA usage/transfers and provide frequent reports to District Local Assistance Engineers (DLAE) and MPOs/RTPAs.
- OLP will grant the MPOs/RTPAs flexibility in borrowing/loaning OA from other MPOs/RTPAs at any time during the year, provided that OLP is notified of the agreement by the affected MPOs/RTPAs.
- When an MPO/RTPA region exhausts its OA allocation:
 1. The DLAE will ask any local agency submitting a "Request for Authorization," in the affected area, if it wants to obligate any project under Advance Construction* (AC), and
 2. If the local agency does not agree to the use of AC, its Regional Surface Transportation Program (RSTP) projects and FTA transfers can be obligated using the MPO/RTPA's MA apportionment. This option requires the approval of the MPO/RTPA (MA normally should not be used for CMAQ projects).
- When MPO/RTPA regional OA and MA* apportionments are exhausted, and the MPO/RTPA and local agencies in the region have not agreed to use AC*, the DLAE will place all local agency "Requests for Authorization" (in that MPO/RTPA's region) on hold until July 1 of that fiscal year.

* See OA Guidelines, attached

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Note: Any MPO/RTPA may negotiate a loan of OA from any other MPO/RTPA and continue to obligate projects using the borrowed OA. MPOs/RTPAs must notify Local Programs of any loans prior to, or at the time of, submitting a request to obligate funds that use the borrowed OA.

- On July 1 of each year, OLP will transfer all unused OA, including statewide OA (bridge and safety programs are in the statewide OA), into a statewide pot. Local Programs will then cash out all AC and obligate all projects on hold on a first-come, first-served basis until the OA is exhausted or all projects are obligated.
- Also on July 1, OLP will request that local agencies provide "Requests for Authorization" to the DLAE for any additional projects that are not under AC or on hold and that could be obligated prior to September 30 of that year. This is in preparation for the "August Redistribution" of OA. In August of each year, FHWA redistributes OA (from states that have not used their OA) to states that have used their OA, or can show that they will use all their OA by September 30, and have requested additional OA. Lists of projects on hold and the additional projects are provided by the DLAE to OLP by July 20** of each year. Projects under AC will be identified by OLP.
- On July 30** of each year, OLP will provide the Office of Federal Resources (OFR) with a list of AC projects (if any), projects that are still on hold (if any), and additional projects to be obligated prior to September 30. This list is used in requesting additional OA from FHWA.
- OFR will request additional OA from FHWA on or about August 4.**
- If additional OA is obtained from FHWA, a pro rata portion (based on the ratio of the dollar costs of Caltrans and local agency projects submitted for redistributed OA) is provided by OFR to OLP.
- OLP will cash out any remaining AC projects, obligate projects that are on hold (if any), and obligate those additional projects with "Requests for Authorization" submitted between July 1-20. This will be done on a first-come, first-served basis until additional OA is exhausted.
- If OA is still remaining, OLP will continue to obligate projects as they are requested until September 15, or until the statewide OA pot and the regional MA are exhausted.
- If OA remains on September 15, OFR will obligate Caltrans projects (or cash out Advance Construction for Caltrans projects) to utilize all the OA that is available statewide.

** Depending on FHWA instruction for redistribution these dates can change.

Attachment

OBLIGATIONAL AUTHORITY GUIDELINES

- Advance Construction (AC) allows agencies to begin work on a project; however, agencies are required to use their own funds and federal reimbursement is postponed until the OA is available to obligate funds for reimbursement.
- Minimum Allocation (MA) does not use OA and, therefore, is normally conserved to supplement available OA.
- MA funds cannot be used without a Caltrans/local match (e.g., if used for 100 percent federally eligible safety projects, the project cannot be funded at 100 percent with MA funds).
- Once funds are obligated on a project, they cannot be withdrawn and substituted with a different fund (e.g., cannot de-obligate RSTP and substitute with MA).
- It is not advisable to use MA funds for CMAQ projects unless the MPO/RTPA has more CMAQ projects than can be funded with their apportionment, since there are restrictions on the types of projects that can be funded with CMAQ funds.
- MA is subject to lapse. Therefore, it cannot be conserved indefinitely.
- If AC is used, the federal participation rate can be set at the time AC is cashed in (when federal funds are obligated and when better cost data is available). This procedure works especially well for underfunded projects and could be used even if OA is available.
- AC can be used for part of the project costs when a project will be funded from various federal apportionments and not all of the apportionments have OA available.
- There is a 15 percent limitation on OA usage during the first quarter (October 1 - December 31) of each federal fiscal year. (Only 15 percent of the annual OA allocation can be used in the first quarter of the federal fiscal year.)